

# **CITY OF TOLEDO**

Independent Auditors' Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings  
June 30, 2008

# CITY OF TOLEDO

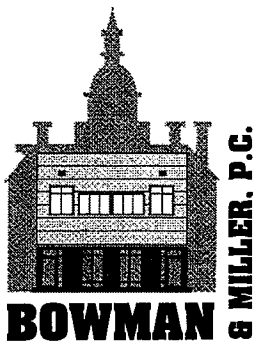
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# CITY OF TOLEDO

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
William Christensen	Mayor	December 31, 2007
Donna Princehouse	Mayor Pro-Tem	December 31, 2007
Pete Zmolek	Council Member	December 31, 2009
Dan Ferris	Council Member	December 31, 2007
Elmer (Skip) Wilson	Council Member	December 31, 2009
Kyle Chaska	Council Member	December 31, 2009
Carolyn Brownfield	Clerk/Treasurer	Indefinite
Nancy Burk	Attorney	Indefinite
<b>(After January 2008)</b>		
Pam Wood	Mayor	December 31, 2009
Daniel Ferris	Mayor Pro-Tem	December 31, 2011
Pete Zmolek	Council Member	December 31, 2009
Elmer (Skip) Wilson	Council Member	December 31, 2009
Kyle Chaska	Council Member	December 31, 2009
Duane Pansegrau	Council Member	December 31, 2011
Carolyn Brownfield	Clerk/Treasurer	Indefinite
Nancy Burk	Attorney	Indefinite



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Toledo's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2008 on our consideration of the City of Toledo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 22 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Toledo's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the year ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 which were prepared on an other comprehensive basis of accounting is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
November 18, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Toledo provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

### 2008 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 34.3%, or \$1,189,975 from fiscal 2007 to fiscal 2008. Property tax decreased \$171,816, proceeds from debt issuance decreased \$205,400 and capital grants, contributions and restricted interest decreased \$847,285.
- Disbursements of the City's governmental activities decreased 35.1% or \$1,214,447 in fiscal 2008 from fiscal 2007. Debt service and capital project disbursements decreased by \$726,384 and \$904,122 respectively.
- The City's total cash basis net assets increased 26.3% or \$293,814 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased \$7,868 and the assets of the business type activities increased by \$285,946.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally

accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, solid waste, community center and child care facility. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1.) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, Tax Increment Financing and Ambulance Equipment, 3) the Debt Service Fund, and 4) the Capital Projects Funds such as the Day Care Center and Deer Creek Bridge. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2.) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The proprietary fund financial statements provide separate information for the water utility and sewer utility; which are considered to be major funds of the City. Data from the other five enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$559,855 to \$567,723. The analysis that follows focuses on the changes in cash basis net assets for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service	\$ 311,046	282,379
Operating grants, contributions and restricted interest	286,318	256,527
Capital grants, contributions and restricted interest	65,816	913,101
General receipts:		
Property tax	959,468	1,131,284
Other city tax	124,768	126,848
Local option sales tax	152,991	153,091
Unrestricted interest on investments	4,925	9,069
Loan proceeds	350,000	555,400
Miscellaneous	24,468	42,076
Total receipts	<u>2,279,800</u>	<u>3,469,775</u>
Disbursements:		
Public safety	582,666	608,738
Public works	673,534	227,432
Culture and recreation	261,814	241,929
Community and economic development	18,607	23,349
General government	250,725	269,839
Debt service	363,650	1,090,034
Capital projects	99,371	1,003,493
Total disbursements	<u>2,250,367</u>	<u>3,464,814</u>
Change in cash basis net assets before transfers	29,433	4,961
Transfers, net	<u>(21,565)</u>	<u>-</u>
Change in cash basis net assets	7,868	4,961
Cash basis net assets beginning of year	<u>559,855</u>	<u>554,894</u>
Cash basis net assets end of year	<u>\$ 567,723</u>	<u>559,855</u>

The City's total receipts for governmental activities decreased by 34.3% or \$1,189,975. The total cost of all programs and services decreased by \$1,214,447, or 35.1%, with no new programs added this year. The significant decrease in receipts was primarily due to a decrease in capital grants received in the amount of \$847,195, decrease in debt proceeds in the amount of \$205,415 and decrease in property taxes collected in the tax increment fund of \$128,080 from 2007 to 2008.



The cost of all governmental activities this year was \$2,250,367 compared to \$3,464,814 last year. However, as shown on the Statement of Activities and Net Assets on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$1,587,187 because some of the cost was paid by those who directly benefited from the programs (\$311,046) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$352,134). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2008 from \$1,452,007 to \$663,180. The City paid the remaining "public benefit" portion of governmental activities with \$1,587,187 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 276,707	263,539
Sewer	248,863	238,257
Solid waste	16,886	12,297
Reinig estate	78,845	63,615
Child care facility	27,626	3,502
Operating grants, contributions and restricted interest	17,777	15,801
Capital grants, contributions and restricted interest	249,775	-
Total receipts	<u>916,479</u>	<u>597,011</u>
Disbursements:		
Water	198,052	208,651
Sewer	329,058	194,640
Solid waste	18,870	16,268
Reinig estate	85,493	71,294
Child care facility	20,625	3,502
Total disbursements	<u>652,098</u>	<u>494,355</u>
Change in cash basis net assets before transfers	264,381	102,656
Transfers, net	<u>21,565</u>	<u>-</u>
Change in cash basis net assets	285,946	102,656
Cash basis net assets beginning of year	559,298	456,642
Cash basis net assets end of year	<u>\$ 845,244</u>	<u>559,298</u>

Total business type activities receipts for the fiscal year were \$916,479 compared to \$597,011 last year. The increase was primarily due to a capital grant received for the sewer utility fund in the amount of \$249,775. The child care facility receipts increased by \$24,124 due to being in operation the entire 12 months. Total disbursements for the fiscal year increased by 31.97% to a total of \$652,098.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Toledo completed the year, its governmental funds reported a combined fund balance of \$567,723, an increase of \$7,868 from last year's total of \$559,855. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance was increased by \$21,871. This is due mainly to a transfer from Local Option Sales Tax.
- The Employee Benefits Fund cash balance for 2008 was \$177,326 an increase of \$38,499 from 2007. The reason for the increase is due to receiving more in property taxes than what was actually needed due to final insurance premium rates being less than originally projected.
- The Road Use Tax Fund cash balance decreased by \$49,094 to \$81,365 during the fiscal year. The fund's cash balance decreased due to more street repairs being made in the current year.
- The Ambulance Fund remained relatively unchanged from the prior year.
- The Urban Renewal Tax Increment cash balance was \$72,230 at the end of 2008. This increase of \$50,608 was due to fewer dollars transferred out in the current year compared to the prior year.
- The Debt Service Fund cash balance went from \$20,911 in 2007 to \$1,497 for 2008. The decrease was due to using more of the cash balance in the current year to pay off the principal balance of outstanding debt.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Utility Fund cash balance increased by \$85,133 to \$390,620. The increase was primarily due to a rate increase that goes into effect January of each year.
- The Sewer Utility Fund cash balance increased by \$173,538 to \$335,697, primarily due to a rate increase that goes into effect January of each year and the receipt of a capital grant for approximately \$250,000.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 27, 2008 and included an increase of \$243,880 to expenditures and \$469,754 to revenues. The increases were due to finishing the Deer Creek Bridge and Day Care Center projects, the start of the Recreation Trail, and increased snow removal costs for the fiscal year. Even with the budget amendment, disbursements exceeded the amounts budgeted in debt service and business type activities functions.

## **DEBT ADMINISTRATION**

At June 30, 2008, the City had \$3,021,318 in bonds and other long-term debt outstanding, compared to \$2,957,516 last year as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2008	2007
General obligation bonds	\$ 1,240,000	1,315,000
General obligation notes	928,510	740,808
Revenue bonds	292,808	311,708
Revenue notes	500,000	500,000
Contracts	60,000	90,000
Total	<u>\$ 3,021,318</u>	<u>2,957,516</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The city's outstanding general obligation debt of \$2,228,510 is below its constitutional debt limit of \$ 2,844,009.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Toledo's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities.

During the fiscal year 2008-09 budget year, the City will be letting the construction bids for the construction of a new sewer plant. The City started a new Recreation Trail in 2008, which will be completed during the next fiscal year.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carolyn Brownfield, City Clerk, at PO Box 234, Toledo, Iowa 52342

## Basic Financial Statements

# CITY OF TOLEDO

## Statement of Activities and Net Assets-Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 582,666	253,466	26,230	-
Public works	673,534	-	240,304	2,169
Culture and recreation	261,814	5,886	12,334	7,500
Community and economic development	18,607	-	-	-
General government	250,725	38,654	7,450	-
Debt service	363,650	-	-	-
Capital projects	99,371	13,040	-	56,147
Total governmental activities	2,250,367	311,046	286,318	65,816
Business type activities:				
Water	198,052	276,707	12,149	-
Sewer	329,058	248,863	5,482	249,775
Solid waste	18,870	16,886	2	-
Reinig estate	85,493	78,845	-	-
Child Care Facility	20,625	27,626	144	-
Total business type activities	652,098	648,927	17,777	249,775
Total	\$ 2,902,465	959,973	304,095	315,591
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Debt service				
Other city tax				
Local option sales tax				
Unrestricted interest on investments				
Loan proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Unrestricted				
Total cash basis net assets				

Net (Disbursements) Receipts  
and Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(302,970)	-	(302,970)
(431,061)	-	(431,061)
(236,094)	-	(236,094)
(18,607)	-	(18,607)
(204,621)	-	(204,621)
(363,650)	-	(363,650)
(30,184)	-	(30,184)
(1,587,187)	-	(1,587,187)
-	90,804	90,804
-	175,062	175,062
-	(1,982)	(1,982)
-	(6,648)	(6,648)
-	7,145	7,145
-	264,381	264,381
(1,587,187)	264,381	(1,322,806)
427,843	-	427,843
256,677	-	256,677
113,070	-	113,070
161,878	-	161,878
124,768	-	124,768
152,991	-	152,991
4,925	-	4,925
350,000	-	350,000
24,468	-	24,468
(21,565)	21,565	-
1,595,055	21,565	1,616,620
7,868	285,946	293,814
559,855	559,298	1,119,153
\$ 567,723	845,244	1,412,967
\$ 81,365	-	81,365
72,230	-	72,230
1,497	110,938	112,435
412,631	734,306	1,146,937
\$ 567,723	845,244	1,412,967

**CITY OF TOLEDO**  
**Statement of Cash Receipts, Disbursements and**  
**Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2008**

	General	Road Use Tax	Employee Benefits	Special Revenue	
				Urban Renewal Tax Increment	Ambulance Equipment
<b>Receipts:</b>					
Property tax	\$ 427,843	-	256,677	-	-
Tax increment financing	-	-	-	113,070	-
Other city tax	102,636	-	13,573	-	-
Licenses and permits	3,125	-	-	-	-
Use of money and property	14,190	-	1,691	384	3,718
Intergovernmental	59,183	217,523	-	-	-
Charges for service	57,331	-	-	-	203,148
Special assessments	-	-	-	-	-
Miscellaneous	30,315	-	2,404	-	-
Total receipts	694,623	217,523	274,345	113,454	206,866
<b>Disbursements:</b>					
Operating:					
Public safety	471,820	-	110,402	-	-
Public works	-	616,617	56,917	-	-
Culture and recreation	206,899	-	45,651	-	-
Community and economic development	18,607	-	-	-	-
General government	227,849	-	22,876	-	-
Debt service	30,000	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	955,175	616,617	235,846	-	-
Excess (deficiency) of receipts over (under) disbursements	(260,552)	(399,094)	38,499	113,454	206,866
<b>Other financing sources (uses):</b>					
Sale of capital assets	600	-	-	-	-
Loan proceeds	-	350,000	-	-	-
Operating transfers in	281,823	-	-	-	-
Operating transfers out	-	-	-	(62,846)	(206,508)
Total other financing sources (uses)	282,423	350,000	-	(62,846)	(206,508)
Net change in cash balances	21,871	(49,094)	38,499	50,608	358
Cash balances beginning of year	66,988	130,459	138,827	21,622	69,731
Cash balances end of year	\$ 88,859	81,365	177,326	72,230	70,089
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ -	-	-	-	-
Unreserved:					
General fund	88,859	-	-	-	-
Special revenue funds	-	81,365	177,326	72,230	70,089
Capital projects fund	-	-	-	-	-
Total cash basis fund balances	\$ 88,859	81,365	177,326	72,230	70,089

Debt Service	Other Nonmajor Governmental Funds	Total
161,878	-	846,398
-	-	113,070
8,558	152,991	277,758
-	-	3,125
-	4,988	24,971
-	59,974	336,680
-	23,020	283,499
-	2,169	2,169
-	8,511	41,230
170,436	251,653	1,928,900
-	444	582,666
-	-	673,534
-	9,264	261,814
-	-	18,607
-	-	250,725
333,650	-	363,650
-	99,371	99,371
333,650	109,079	2,250,367
(163,214)	142,574	(321,467)
-	300	900
-	-	350,000
143,800	21,225	446,848
-	(199,059)	(468,413)
143,800	(177,534)	329,335
(19,414)	(34,960)	7,868
20,911	111,317	559,855
1,497	76,357	567,723
1,497	-	1,497
-	-	88,859
-	48,099	449,109
-	28,258	28,258
1,497	76,357	567,723



# CITY OF TOLEDO

Exhibit C

## Statement of Cash Receipts, Disbursements and Changes in Cash Balances Proprietary Funds As of and for the year ended June 30, 2008

	Enterprise Funds			
	Water Utility	Sewer Utility	Nonmajor Enterprise Funds	Total
Operating receipts:				
Charges for services	\$ 267,508	248,363	56,086	571,957
Miscellaneous	9,199	500	53,266	62,965
Total operating receipts	276,707	248,863	109,352	634,922
Operating disbursements:				
Business type activities	163,201	329,058	104,363	596,622
Excess (deficiency) of operating receipts over (under) operating disbursements	113,506	(80,195)	4,989	38,300
Non-operating receipts (disbursements):				
Interest on investments	9,631	3,958	4,188	17,777
Intergovernmental	-	249,775	-	249,775
Rent	-	-	14,005	14,005
Debt service	-	-	(55,476)	(55,476)
Total non-operating receipts (disbursements)	9,631	253,733	(37,283)	226,081
Excess (deficiency) of receipts over (under) disbursements	123,137	173,538	(32,294)	264,381
Other financing sources (uses):				
Operating transfers in	-	-	62,855	62,855
Operating transfers out	(38,004)	-	(3,286)	(41,290)
Total other financing sources (uses)	(38,004)	-	59,569	21,565
Net change in cash balances	85,133	173,538	27,275	285,946
Cash balances beginning of year	305,487	162,159	91,652	559,298
Cash balances end of year	\$ 390,620	335,697	118,927	845,244
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	110,938	110,938
Unreserved	390,620	335,697	7,989	734,306
Total cash basis fund balances	\$ 390,620	335,697	118,927	845,244

# CITY OF TOLEDO

## Notes to Financial Statements

### June 30, 2008

#### Note 1 – Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, the City of Toledo has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Joint E-911 Service Board, Tama County Solid Waste Disposal Commission, Region Six Planning Commission and Tama County Economic Development Board.

#### B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for benefits paid to employees.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Ambulance Equipment Fund is used to purchase equipment for the ambulance service provided to citizens.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the operation and maintenance of the City's water system.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system

**C. Measurement Focus and Basis of Accounting**

The City of Toledo maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in debt service and business type activities.

**Note 2 – Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has one certificate of deposit held by a local bank.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**Note 2 – Cash and Pooled Investments (Continued)**

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**Note 3 – Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, water revenue bonds and notes, and contracts are as follows:

Year Ending June 30	General Obligation Bonds		General Obligation Notes		Contracts	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 55,000	54,380	244,853	38,321	30,000	-
2010	55,000	52,590	135,460	27,180	30,000	-
2011	60,000	50,690	157,145	21,881	-	-
2012	65,000	48,500	171,052	15,638	-	-
2013	65,000	46,022	120,000	8,655	-	-
2014-2018	370,000	187,500	100,000	6,075	-	-
2019-2023	465,000	96,732	-	-	-	-
2024-2028	105,000	5,363	-	-	-	-
2029-2033	-	-	-	-	-	-
2034-2038	-	-	-	-	-	-
2039-2043	-	-	-	-	-	-
2044-2046	-	-	-	-	-	-
Total	<u>\$ 1,240,000</u>	<u>541,777</u>	<u>928,510</u>	<u>117,750</u>	<u>60,000</u>	<u>-</u>

Year Ending June 30	Water Revenue Bonds		Child Care Center Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 20,133	14,718	5,580	20,520	355,566	127,939
2010	21,140	13,711	5,814	20,286	247,414	113,767
2011	22,197	12,654	6,059	20,041	245,401	105,266
2012	23,307	11,544	6,313	19,786	265,672	95,468
2013	24,472	10,379	6,579	19,521	216,051	84,577
2014-2018	141,986	32,269	37,282	93,218	649,268	319,062
2019-2023	39,573	2,472	45,807	84,693	550,380	183,897
2024-2028	-	-	56,279	74,221	161,279	79,584
2029-2033	-	-	69,146	61,354	69,146	61,354
2034-2038	-	-	84,954	45,547	84,954	45,547
2039-2043	-	-	104,376	26,124	104,376	26,124
2044-2046	-	-	71,811	4,544	71,811	4,544
Total	<u>\$ 292,808</u>	<u>97,747</u>	<u>500,000</u>	<u>489,855</u>	<u>3,021,318</u>	<u>1,247,129</u>

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**Note 3 – Bonds and Notes Payable (Continued)**

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate Water and Child Care Center revenue sinking accounts within the Enterprise Funds for the purpose of making the principal and interest payments when due.
- c) Additional monthly transfers of \$218 to a Child Care Center reserve account within the Enterprise Fund shall be made until \$26,100 has been accumulated. This account is restricted for the purpose of transferring and crediting to the sinking account whenever necessary to prevent or remedy a default in the payment of the principal or interest on the notes.
- d) Additional monthly transfers of \$368 to a Child Care Center depreciation account within the Enterprise Fund shall be made. This account is restricted for the purpose of paying for any repairs, replacements and improvements to the Child Care Center.
- e) All funds remaining in the Child Care Center account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the building or for note and interest payments which the other accounts might be unable to make.

As of June 30, 2008, the City has established the depository accounts required by the bond resolution for the water revenue and daycare facility bonds.

**Note 4 – Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$34,939, \$33,731, and \$35,146, respectively, equal to the required contributions for each year.

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**Note 5 – Compensated Absences**

City employees accumulate vacation hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the city until used or paid. The City was liable for \$16,676 in accumulated vacation time. This liability has been computed based on the rate of pay as of June 30, 2008.

**Note 6 – Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Ambulance Equipment	\$ 206,508
	Local Option Sales Tax	72,228
	Capital Projects:	
	Reinig Estate	3,087
		<u>281,823</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	26,417
	Local Option Sales Tax	117,383
		<u>143,800</u>
Capital Projects:	Special Revenue:	
Deer Creek Bridge	Tax Increment Financing	17,288
Recreational Trail	Tax Increment Financing	3,738
	Enterprise:	
Day Care Center	Child Care Facility	199
		<u>21,225</u>
Enterprise:	Enterprise:	
Water Sinking	Water Utility	38,004
	Special Revenue:	
Reinig Estate	Tax Increment Financing	15,403
	Capital Projects:	
Solid Waste	Storm Sewer Project	7,989
Child Care Facility	Storm Sewer Project	1,459
		<u>62,855</u>
		<u>\$ 509,703</u>

**CITY OF TOLEDO**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**Note 6 – Interfund Transfers (Continued)**

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**Note 7 – Risk Management**

The City of Toledo is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 8 – Lease**

On March 27, 2006 the City entered into a lease with the Tama County Day Care Center (Day Care Center) whereas the City would lease the building at 403 W. Commercial Street. The term of the lease began in April 2007. The lease expires June 30, 2010. The lease by the Day Care Center is being treated as an operating lease by the City.

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 33,132
2010	<u>33,132</u>
	<u>\$ 66,264</u>

**Note 9 – Commitments**

At June 30, 2008, the City of Toledo had two contracts for the Recreation Trail and Waste Water Treatment projects. The outstanding balance of the contracts for these projects totaled \$94,248.



## Required Supplementary Information

# CITY OF TOLEDO

## Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances-Budget and Actual (Cash Basis)

### All Governmental Funds and Proprietary Funds

#### Required Supplementary Information

June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 846,398	-
Tax increment financing revenues	113,070	-
Other city taxes	277,758	-
Licenses and permits	3,125	-
Use of money and property	24,971	17,777
Intergovernmental	336,680	-
Charges for service	283,499	634,922
Special assessments	2,169	-
Miscellaneous	41,230	14,005
Total receipts	<u>1,928,900</u>	<u>666,704</u>
Disbursements:		
Public safety	582,666	-
Public works	673,534	-
Culture and recreation	261,814	-
Community and economic development	18,607	-
General government	250,725	-
Debt service	363,650	-
Capital projects	99,371	-
Business type activities	-	652,098
Total disbursements	<u>2,250,367</u>	<u>652,098</u>
Excess (deficiency) of receipts over (under) disbursements	(321,467)	14,606
Other financing sources (uses), net	<u>329,335</u>	<u>271,340</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	7,868	285,946
Balances beginning of year	<u>559,855</u>	<u>559,298</u>
Balances end of year	<u>\$ 567,723</u>	<u>845,244</u>

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
846,398	881,081	881,081	(34,683)
113,070	176,210	176,210	(63,140)
277,758	274,043	274,043	3,715
3,125	6,500	6,500	(3,375)
42,748	33,500	33,500	9,248
336,680	229,807	229,807	106,873
918,421	836,299	836,299	82,122
2,169	-	-	2,169
55,235	139,484	203,300	(148,065)
2,595,604	2,576,924	2,640,740	(45,136)
582,666	535,292	620,627	37,961
673,534	683,946	708,946	35,412
261,814	373,145	402,525	140,711
18,607	18,607	18,607	-
250,725	308,047	308,047	57,322
363,650	317,738	317,738	(45,912)
99,371	-	104,165	4,794
652,098	583,529	583,529	(68,569)
2,902,465	2,820,304	3,064,184	161,719
(306,861)	(243,380)	(423,444)	116,583
600,675	-	405,938	194,737
293,814	(243,380)	(17,506)	311,320
1,119,153	998,112	998,112	121,041
1,412,967	754,732	980,606	432,361

## CITY OF TOLEDO

### Notes to Required Supplementary Information – Budgetary Reporting June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$243,880. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

## Other Supplementary Information

**CITY OF TOLEDO**  
**Schedule of Cash Receipts, Disbursements and**  
**Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2008**

	Special Revenue			
	Local Option Sales Tax	Library Gift Trust	Fire Equipment	Special Assessments
Receipts:				
Other city tax	\$ 152,991	-	-	-
Use of money and property	3,259	216	614	-
Intergovernmental	-	4,036	-	-
Charges for services	5,886	-	4,094	-
Special assessments	-	-	-	2,169
Miscellaneous	-	1,011	-	-
Total receipts	162,136	5,263	4,708	2,169
Disbursements:				
Operating:				
Public safety	-	-	444	-
Culture and recreation	5,133	4,131	-	-
Capital projects	-	-	-	-
Total disbursements	5,133	4,131	444	-
Excess (deficiency) of receipts over (under) disbursements	157,003	1,132	4,264	2,169
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(189,611)	-	-	-
Total other financing sources (uses)	(189,611)	-	-	-
Net change in cash balances	(32,608)	1,132	4,264	2,169
Cash balances at beginning of year	44,304	7,284	21,554	-
Cash balances at end of year	\$ 11,696	8,416	25,818	2,169
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 11,696	8,416	25,818	2,169
Capital project funds	-	-	-	-
Total cash basis fund balances	\$ 11,696	8,416	25,818	2,169

Capital Projects					
Recreation Trail	Deer Creek Bridge	Day Care Center	Housing Project	Storm Sewer Project	Total
-	-	-	-	-	152,991
-	-	209	-	690	4,988
-	55,938	-	-	-	59,974
-	-	13,040	-	-	23,020
-	-	-	-	-	2,169
7,500	-	-	-	-	8,511
7,500	55,938	13,249	-	690	251,653
-	-	-	-	-	444
-	-	-	-	-	9,264
11,239	73,226	14,906	-	-	99,371
11,239	73,226	14,906	-	-	109,079
(3,739)	(17,288)	(1,657)	-	690	142,574
-	-	-	300	-	300
3,739	17,288	198	-	-	21,225
-	-	-	-	(9,448)	(199,059)
3,739	17,288	198	300	(9,448)	(177,534)
-	-	(1,459)	300	(8,758)	(34,960)
-	-	1,459	11,456	25,260	111,317
-	-	-	11,756	16,502	76,357
-	-	-	-	-	48,099
-	-	-	11,756	16,502	28,258
-	-	-	11,756	16,502	76,357

**CITY OF TOLEDO**  
**Schedule of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Enterprise Funds**  
**As of and for the year ended June 30, 2008**

	Water Sinking Fund	Sewer Sinking Fund	Solid Waste	Reinig Estate
Operating receipts:				
Charges for services	\$ -	-	16,886	39,200
Miscellaneous	-	-	-	25,640
Total operating receipts	-	-	16,886	64,840
Operating disbursements:				
Business type activities	-	-	18,870	85,493
Excess (deficiency) of operating receipts over (under) operating disbursements	-	-	(1,984)	(20,653)
Non-operating receipts (disbursements):				
Interest on investments	2,518	1,524	2	-
Rent	-	-	-	14,005
Debt service	(34,851)	-	-	-
Total non-operating receipts (disbursements)	(32,333)	1,524	2	14,005
Other financing sources (uses):				
Operating transfers in	38,004	-	7,989	15,403
Operating transfers out	-	-	-	(3,087)
Total other financing sources (uses)	38,004	-	7,989	12,316
Net change in cash balances	5,671	1,524	6,007	5,668
Cash balances beginning of year	69,281	32,691	(4,652)	(5,668)
Cash balances end of year	\$ 74,952	34,215	1,355	-
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ 74,952	34,215	-	-
Unreserved	-	-	1,355	-
Total cash basis fund balances	\$ 74,952	34,215	1,355	-



Child Care Facility	Total
-	56,086
27,626	53,266
27,626	109,352
-	104,363
27,626	4,989
144	4,188
-	14,005
(20,625)	(55,476)
(20,481)	(37,283)
1,459	62,855
(199)	(3,286)
1,260	59,569
8,405	27,275
-	91,652
8,405	118,927
1,771	110,938
6,634	7,989
8,405	118,927

**CITY OF TOLEDO**  
**Schedule of Indebtedness**  
**Year Ended June 30, 2008**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water revenue	Aug 1, 1993	5.40%	\$ 1,455,000
Aquatic center	Aug 1, 2004	3.20-5.05%	1,005,000
Aquatic center	Aug 1, 2004	3.40-5.25%	400,000
Total			<u>\$ 2,860,000</u>
General obligation notes:			
Street improvement	June 19, 2000	5.40%	\$ 711,000
Fire truck	May 21, 2002	4.75%	260,000
Library	Jan 26, 2005	2.70-4.10%	400,000
Equipment	Oct 17, 2007	3.90%	350,000
Total			<u>\$ 1,721,000</u>
Revenue bonds:			
Water	Jan 3, 2005	5.00%	<u>\$ 587,800</u>
Revenue notes:			
Child care facility	Apr 30, 2007	4.125%	<u>\$ 500,000</u>
Contracts:			
Real estate	Jan 3, 2005	0%	<u>\$ 150,000</u>

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
20,000	-	20,000	-	1,080	-
925,000	-	40,000	885,000	39,473	-
370,000	-	15,000	355,000	16,588	-
1,315,000	-	75,000	1,240,000	57,141	-
211,000	-	100,000	111,000	11,344	-
189,809	-	32,299	157,510	9,016	-
340,000	-	30,000	310,000	11,930	-
-	350,000	-	350,000	5,722	-
740,809	350,000	162,299	928,510	38,012	-
311,708	-	18,900	292,808	15,951	-
500,000	-	-	500,000	20,625	-
90,000	-	30,000	60,000	-	-

**CITY OF TOLEDO**  
**Bond and Note Maturities**  
**June 30, 2008**

Year Ending June 30,	General Obligation Bonds				Revenue Bonds	
	Aquatic Center		Aquatic Center		Water Revenue	
	Issued Aug. 1, 2004		Issued Aug. 1, 2004		Issued Feb. 14, 1983	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2009	3.40 %	\$ 15,000	3.20 %	\$ 40,000	5.00 %	\$ 20,133
2010	3.60	15,000	3.40	40,000	5.00	21,140
2011	3.80	15,000	3.60	45,000	5.00	22,197
2012	3.95	20,000	3.75	45,000	5.00	23,307
2013	4.10	20,000	3.90	45,000	5.00	24,472
2014	4.20	20,000	4.00	50,000	5.00	25,696
2015	4.30	20,000	4.10	50,000	5.00	26,981
2016	4.40	20,000	4.20	55,000	5.00	28,330
2017	4.50	20,000	4.30	55,000	5.00	29,746
2018	4.60	25,000	4.40	55,000	5.00	31,233
2019	4.70	25,000	4.50	60,000	5.00	32,795
2020	4.80	25,000	4.60	65,000	5.00	6,778
2021	4.95	25,000	4.75	65,000		-
2022	5.05	30,000	4.85	70,000		-
2023	5.15	30,000	4.95	70,000		-
2024 - 2046	5.25	30,000	5.05	75,000		-
Total		<u>\$ 355,000</u>		<u>\$ 885,000</u>		<u>\$ 292,808</u>

Year Ending June 30,	General Obligation Notes					
	Street Improvement		Fire Truck		Library	
	Issued June 19, 2000		Issued May 21, 2002		Issued Jan. 26, 2005	
	Interest Rates	Amount	Interest Rate	Amount	Interest Rate	Amount
2009	5.40 %	\$ 111,000	4.75 %	\$ 33,853	2.70 %	\$ 30,000
2010		-	4.75	35,460	2.95	30,000
2011		-	4.75	37,145	3.50	50,000
2012		-	4.75	51,052	3.65	50,000
2013		-		-	3.80	50,000
2014		-		-	3.95	50,000
2015		-		-	4.10	50,000
Total		<u>\$ 111,000</u>		<u>\$ 157,510</u>		<u>\$ 310,000</u>

## Revenue Notes

## Child Care Center

Issued Apr. 30, 2007

Interest		Total
Rate	Amount	
4.125 %	\$ 5,580	\$ 80,713
4.125	5,814	81,954
4.125	6,059	88,256
4.125	6,313	94,620
4.125	6,579	96,051
4.125	6,855	102,551
4.125	7,143	104,124
4.125	7,444	110,774
4.125	7,757	112,503
4.125	8,083	119,316
4.125	8,423	126,218
4.125	8,777	105,555
4.125	9,146	99,146
4.125	9,530	109,530
4.125	9,931	109,931
4.125	386,566	491,566
	<u>\$ 500,000</u>	<u>\$ 2,032,808</u>

## General Obligation Notes

## Public Works Equipment

Issued Oct 17, 2007

Interest	
Rate	Amount
3.90 %	\$ 70,000
3.90	70,000
3.90	70,000
3.90	70,000
3.90	70,000
	-
	-
	<u>\$ 350,000</u>

## Contracts

## Real Estate

Issued Jan. 3, 2005

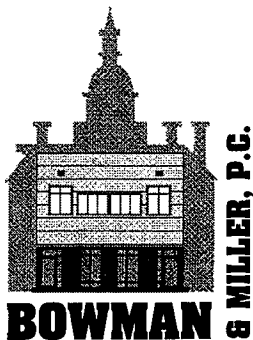
Interest		Total
Rate	Amount	
0 %	\$ 30,000	274,853
0	30,000	165,460
	-	157,145
	-	171,052
	-	120,000
	-	50,000
	-	50,000
	<u>\$ 60,000</u>	<u>\$ 988,510</u>

# CITY OF TOLEDO

Schedule 5

## Schedule of Receipts By Source and Disbursements by Function- All Governmental Funds For the Last Four Years

	2008	2007	2006	2005
Receipts:				
Property tax	\$ 846,398	929,723	655,072	795,644
Tax increment financing revenues	113,070	241,150	181,716	114,003
Other city tax	277,758	240,350	187,403	211,542
Licenses and permits	3,125	8,608	3,896	27,301
Use of money and property	24,971	31,516	25,450	31,953
Intergovernmental	336,680	1,073,176	675,868	219,645
Charges for services	283,499	259,096	211,365	39,348
Special assessments	2,169	16,350	9,255	19,618
Miscellaneous	41,230	98,423	170,651	1,164,122
Total	<u>\$ 1,928,900</u>	<u>2,898,392</u>	<u>2,120,676</u>	<u>2,623,176</u>
Disbursements:				
Operating:				
Public safety	\$ 582,666	608,738	500,940	456,775
Public works	673,534	227,432	253,431	296,595
Culture and recreation	261,814	241,929	257,869	243,387
Community and economic development	18,607	23,349	39,770	181,362
General government	250,725	269,839	341,222	317,135
Debt service	363,650	1,090,034	461,614	359,262
Capital projects	99,371	1,003,493	1,048,057	2,548,724
Total	<u>\$ 2,250,367</u>	<u>3,464,814</u>	<u>2,902,903</u>	<u>4,403,240</u>



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366  
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Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 18, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Toledo's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Toledo's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Toledo's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Toledo's financial statements that is more than inconsequential will not be prevented or detected by the City of Toledo's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Toledo's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

#### Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Toledo's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Toledo's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Toledo and other parties to whom the City of Toledo may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Toledo during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
November 18, 2008



**CITY OF TOLEDO**  
**Schedule of Findings**  
**Year Ended June 30, 2008**

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**CITY OF TOLEDO**  
**Schedule of Findings**  
**Year Ended June 30, 2008**

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-08 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – We will review procedures and find a solution to this issue

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Other Findings Related to Statutory Reporting:**

III-A-08 Certified Budget – Disbursements during the year ended June 30, 2008, exceeded the amounts budgeted in debt service and business type activities functions. Chapter 384.18 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will make certain that the budget is amended in accordance with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

III-B-08 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 24, 1979.

III-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-08 Business Transactions – No business transactions between the City and City officials or employees were noted.

**CITY OF TOLEDO**  
**Schedule of Findings**  
**Year Ended June 30, 2008**

III-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

III-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council did not approve all inter-fund operating transfers in accordance with Chapter 331.432 of the Code of Iowa.

Council minutes were not signed by the mayor and city clerk.

Recommendation – The City should approve all inter-fund operating transfers in accordance with Chapter 331.432 of the Code of Iowa. Council minutes should be signed by the mayor and city clerk after each meeting.

Response – Inter-fund transfers will be approved in accordance with Chapter 331.432 of the Code of Iowa. Minutes will be signed after every meeting.

Conclusion – Response accepted.

III-G-08 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-08 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

**CITY OF TOLEDO**  
Audit Staff

This audit was performed by:  
Bowman and Miller, P.C.  
Certified Public Accountants  
Marshalltown, IA 50158

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Diana Swanson